

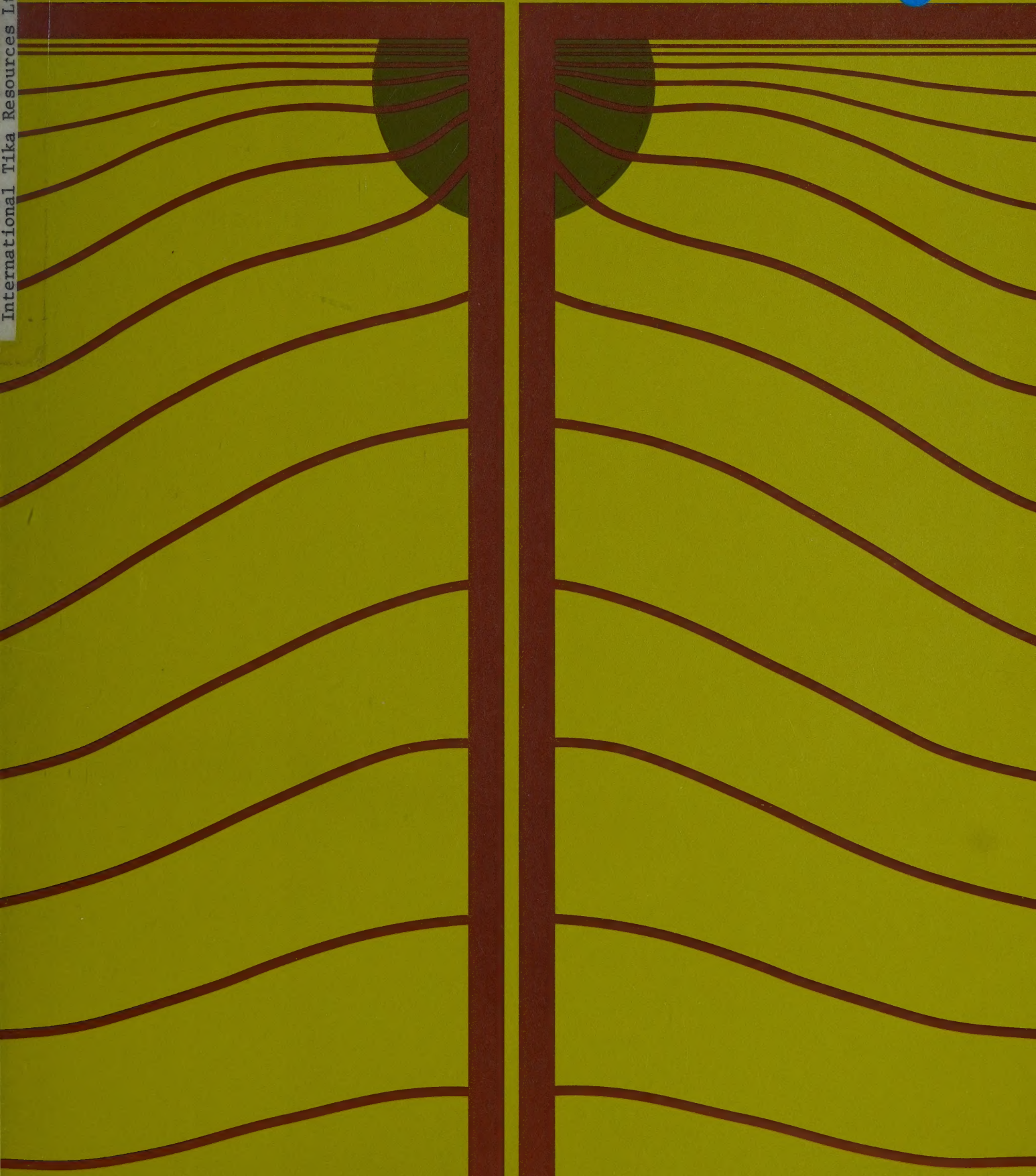
AR06

# International Tika Resources Ltd.

Annual Report for the Year Ended March 31, 1981.

UNIVERSITY OF ALBERTA  
FACULTY OF BUSINESS ADMINISTRATION  
AND COMMERCE  
FRANCIS G. WINSPEAR COLLECTION

International Tika Resources Ltd. 1981





RECEIVED APR 26 1982

INTERNATIONAL



RESOURCES LTD.

NO. 403, CANADA TRUST BUILDING, 239 - 8th Avenue S.W., Calgary, Alberta T2P 1B9 TELEPHONE (403) 261-0052

April 17, 1982.

WE ARE MOVING

Effective May 17, 1982, our offices will be located at #604, 1015 - 4 Street, S.W., Calgary, Alberta T2R 1J4. Our telephone numbers will remain the same: (403) 261-0052, 261-0053.

Please amend your records accordingly.

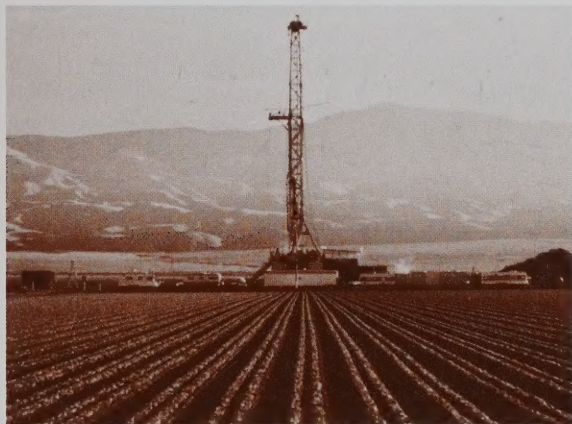
INTERNATIONAL TIKA RESOURCES LTD.

## Introduction and President's Message

International Tika Resources Ltd. is a public company with approximately 500 shareholders.

The company was formed in 1972 as a British Columbia corporation. Today, head offices are located in Calgary, Alberta with a branch office for the wholly-owned subsidiary, International Tika Resources, Inc., located in Houston, Texas.

Mr. Richard W. Kiser, president of International Tika Resources Ltd. has been a principal of the company since 1973. Richard Kiser began his career in the oil and gas industry in 1956 as a drilling contractor. Prior to that he served in the Royal Canadian Air Force as a fighter pilot. Mr. Kiser's son, Stephen, a recently graduated petroleum engineer, represents the fourth generation of the Kiser family to be involved in the petroleum industry, an involvement that now spans almost 90 years.



As president of International Tika Resources Ltd., I am pleased to present the annual report for the fiscal year which ended March 31, 1981. It is gratifying for me to have this opportunity to document the success of our company during the past year.



International Tika Resources Ltd. drilled a record 34 wells during the year. Our financial statements, contained in this report, show a dramatic improvement over the previous year. Net profit is recorded as 16-2/3 cents per share and our cash flow projections for the coming year are estimated to be in excess of 1 million dollars.

At the organizational level, we opened an office in Houston, Texas in February 1981, a move prompted by our increased exploration activities in the United States. Mr. Eitan Aizenberg has assumed the responsibilities of vice-president of U.S. operations. Mr. Aizenberg holds a Master of Science degree in geology and has over 20 years experience in the oil and gas industry. Most of his international experience was gained in the Middle East. We welcome Mr. Aizenberg to our company and look forward to an ambitious exploration program from our United States subsidiary.

The Canadian government's National Energy Program (NEP) has devastated the entire petroleum industry in Canada. The effects will be felt in all sectors for years to come. In anticipation of the ramifications of the government's policies, your Board of Directors took dramatic steps to sell the company's Canadian assets and redirect the cash realized to exploration in the United States.



## President's Message Con't.

Fortunately, this decision was made prior to the October introduction of the NEP so the negative effects of the government policy have not been felt by our company.

The lack of a market for our natural gas reserves was another consideration in the company's decision to move our exploration activity to the United States. This exploration activity in the United States has proven very successful and is documented in this report. Tika drilled several successful oil and gas wells in the states of California, Texas, Oklahoma and Louisiana. Although the Louisiana test commenced after our year end in March, it is by far the most important discovery the company has ever made.

The Louisiana project is a 16,400 foot test in Vermillion Parish. Total depth was reached in July 1981 and the well was cased with 131 feet of gas pay indicated in two Miogyp sands. Preliminary engineering reports have given an undiscounted value to our company of approximately 20 million dollars, which translates to over \$2 per share at a 10% present worth value.

Although the company lands cover only 1000 acres, a new project two miles north is being developed on approximately 3800 acres. A shallow 10,000 foot test will be drilled immediately in which we will earn 18% working interest to payout of \$150,000 reverting to 11.25% after payout on a portion of the lands. A deep test to 16,500 feet will earn the company the same interest as our discovery well, 5% to payout reverting to 2.5% after payout on the balance of the lands. Final details of the deep test are still being prepared through negotiations with the land owners. Current plans call for drilling to begin in November 1981.

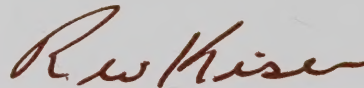
A further Louisiana test in Assumption Parish will be spudded by the time this report is available. This project, called Oakley, will test three potential oil sands and two gas sands to 11,850 feet. Tika will earn a 10% interest to payout reverting to 7.5% after payout.

Subsequent to our year end, the company committed to drill three wells on a 22,000 acre block in Frontier County, Nebraska. The first well reached total depth and was cased. Completion and testing of the potential oil well will take place after the second test has been drilled. If positive results are indicated by these first three wells, continuous drilling will be undertaken to earn more land on the 22,000 acres.

The ambitious programs described briefly in this report will expose our company to new opportunities to add to our rapidly growing cash flow. It would appear that further dilution of the company shares by equity financing is not required at this time. Our exploration budget for the coming year should be funded through our cash flow or short term bank financing.

The future of International Tika Resources Ltd. is extremely bright. In 1982, we expect our eight producing properties to yield a cash flow exceeding one million dollars; we have commitments to drill approximately 26 wells; a line of credit is already available if needed; and we currently have no bank debt. With the continued support of our shareholders, we look forward to a year full of promises, of exciting new challenges, and of the achievement of our company's full potential.

Submitted on behalf of  
the Board of Directors



Richard W. Kiser  
President

# Exploration in Canada

The Canadian government's National Energy Program dictated that Tika take a critical look at its Canadian exploration program. As a result, some of the following projects have been sold; the remaining projects, however, are contributing to the company's cash flow or are awaiting an expansion of the natural gas market.



## BRITISH COLUMBIA

### Buick Creek

The producing properties at Buick Creek are expected to continue to contribute approximately \$25,000 per year to Tika's cash flow.

## ALBERTA

### Auburndale

Tika's producing oil and gas properties in this area were sold just prior to the announcement of the NEP. The effects of the NEP have now reduced the value of that property by approximately one-third.

## Canon

After acquiring a 12.5% working interest in over 13,000 acres of Crown land, two Colony gas wells were drilled. The company had an investment of \$330,000 but sold the interest for a profit of \$170,000 when the NEP was announced.

## Chauvin

Tika is waiting for a market to develop for the shut-in gas well at Chauvin. Company interest is 15% on 640 acres to payout, reverting to 22.5% working interest after payout.

## Islay

There are two shut-in gas wells waiting for a market at Islay. The company's interest is 8% on 1280 acres to 150% of payout, reverting to 6% working interest after payout. We anticipate putting these reserves on stream in November 1982.

## Jumping Pound

Negotiations with Shell Canada Resources Limited were completed and the well was taken into the West Jumping Pound Gas Unit #2. Production began June 1, 1981. The total cash flow to Tika is estimated at \$1.5 million at no cost to the company.

## Skaro

The shut-in gas well at Skaro is also waiting for a market before production begins. The company's interest is 15.39% before payout, reverting to 7.695% after payout on 640 acres.



# Exploration in the United States

In anticipation of the Canadian government's National Energy Program, Tika redirected most of its exploration activity into the United States. The following summaries offer brief descriptions of the company's activity in the U.S.

## ALASKA

Tika's 5% ownership in 13,000 acres in Cook Inlet has been offered for sale. The price is currently being negotiated.

## CALIFORNIA

### Orcutt, Santa Barbara County

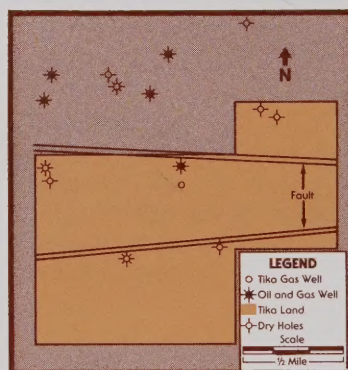
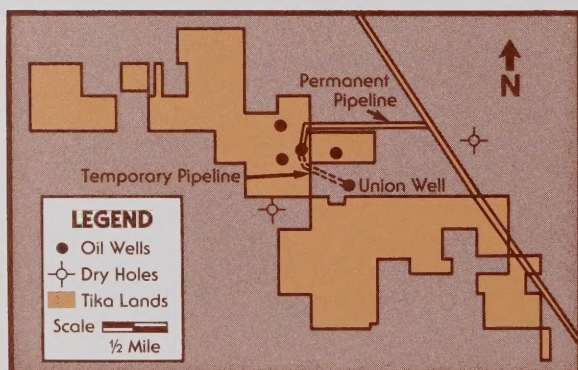
The company has a 5% working interest in 1780 acres. Four oil wells have been drilled and are being put into production on company-owned land totalling 1780 acres. Initial testing indicates production potential of several hundred barrels per day from these leases.



## LOUISIANA

### Gueydan, Vermillion Parish

A 16,400 foot well has been drilled and logged and production casing has been run. The company is currently completing the well and, to date, flow rates have not been established. As soon as they are established, a gas contract will be negotiated with a view to bringing the well on stream immediately. Gas prices are expected to range in excess of \$7 per 1000 cubic feet. The company's interest on 960 acres is 5% to payout, reducing to 2.5% after payout.





# Exploration in the United States

## OKLAHOMA

### Jumbo, Pushmataha

The company's properties in this area have been sold and the original \$150,000 investment recovered.

### South Ryan, Jefferson County

These properties were not fully evaluated and subsequently were farmed out after our well was drilled and abandoned. The company's interest was reduced from 5.4% to 3.5%. More seismic work will take place and a well will be drilled on 3200 acres at no cost to the company.



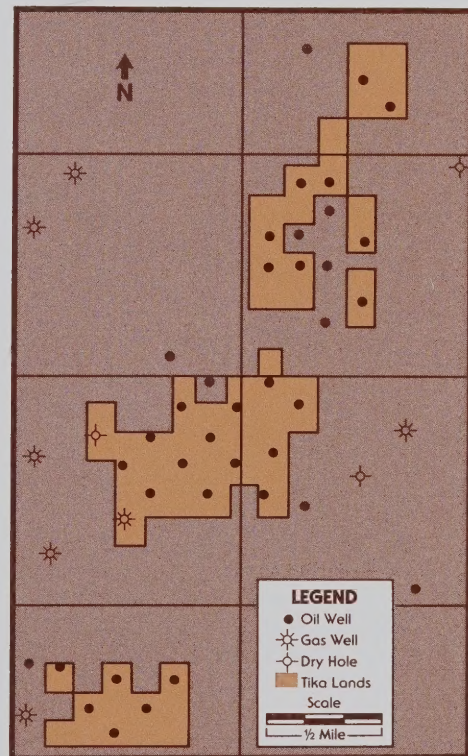
## TEXAS

### Bain, Wilson County

An Austin Chalk well has been drilled and cased and is waiting completion. The company has a 12.5% working interest on 320 acres.

### Bivins, Potter County

Twenty-three new wells have been drilled, bringing the total to 33 producing oil wells. Tika has an 8.5% working interest in the 450 barrels of oil per day production, delivering a cash flow of approximately \$1,000 per day.



# Exploration in the United States

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## **Hooks, Hutchinson County**

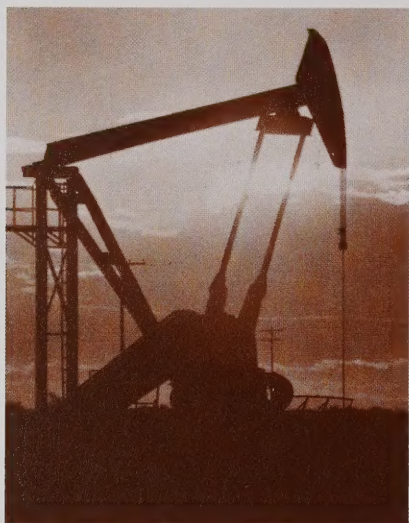
Three wells have been drilled to date and are producing a total of 50 barrels of oil per day. There are five more wells to be drilled. Tika has a 13.5% interest in 200 acres and there are 1800 acres more to be earned by drilling.

## **Scamardo, Burleson County**

An Austin Chalk well has been drilled and cased and is presently flowing 70 barrels of oil per day. The company has a 4.5% working interest on 157 acres in the first well, with a continuing option to earn 3.75% on 1117 acres.

## **Leases Acquired - 100%**

A total of 2000 acres in two areas of Texas have been acquired. These lands will be farmed out for cash profit and 25% carried working interest.





# Auditors' Report

For the Year Ended March 31, 1981

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**To the Shareholders  
International Tika Resources Ltd.**

We have examined the consolidated balance sheet of International Tika Resources Ltd. as at March 31, 1981 and the consolidated statements of income and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at March 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Touche Ross & Co.*

Chartered Accountants

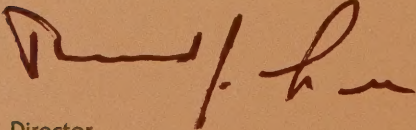
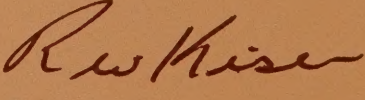
Suite 3500, Scotia Centre  
700-2nd Street S.W.  
Calgary, Alberta T2P 2W2

Calgary, Alberta  
July 27, 1981



# Consolidated Balance Sheet

As at March 31, 1981

	1981	1980
<b>ASSETS</b>		
<b>Current assets</b>		
Cash .....	\$ 94,737	\$ —
Term deposits .....	554,876	525,000
Accounts receivable .....	65,919	78,637
Due from director .....	—	48,515
Accounts receivable — drilling fund participants .....	52,454	221,631
	<u>767,986</u>	<u>873,783</u>
<b>Property, plant and equipment, at cost</b>		
Petroleum and natural gas properties, including exploration and development thereon .....	990,748	721,387
Furniture and automotive equipment .....	22,490	16,500
	1,013,238	737,887
Less accumulated depletion and depreciation .....	87,988	77,782
	<u>925,250</u>	<u>660,105</u>
	<u><b>\$1,693,236</b></u>	<u><b>\$1,533,888</b></u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank indebtedness .....	\$ —	\$ 386,318
Accounts payable and accrued liabilities .....	184,158	316,633
	184,158	702,951
Deferred income taxes (Note 3) .....	38,760	—
Convertible debentures payable .....	—	520,000
	<u>222,918</u>	<u>1,222,951</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share capital (Note 2)</b>		
Authorized 5,000,000 common shares without nominal or par value		
Issued 3,276,087 shares (1980 — 2,626,087) .....	1,708,367	1,038,367
<b>Deficit</b> .....	238,049	727,430
	1,470,318	310,937
Signed on behalf of the Board	<u><b>\$1,693,236</b></u>	<u><b>\$1,533,888</b></u>
		
Director		
	Director	



# Consolidated Statement of Income and Deficit

For the Year Ended March 31, 1981

	1981	1980
<b>Income</b>		
Production .....	\$ 229,213	\$ 88,263
Operating fees and other .....	29,778	22,938
	<u>258,991</u>	<u>111,201</u>
<b>Direct expenses</b>		
Dry hole .....	—	347,414
Depletion and depreciation .....	48,230	19,159
Operating .....	26,577	15,401
	<u>74,807</u>	<u>381,974</u>
	184,184	(270,773)
<b>General and administrative expenses (Note 4) .....</b>	<u>150,754</u>	<u>145,137</u>
<b>Income (loss) for the year before the following .....</b>	<u>33,430</u>	<u>(415,910)</u>
<b>Income taxes (recovery)</b>		
Current .....	66,484	—
Deferred .....	(48,317)	—
	<u>18,167</u>	<u>—</u>
<b>Income (loss) for the year before extraordinary items .....</b>	<u>15,263</u>	<u>(415,910)</u>
<b>Extraordinary items</b>		
Gain on sale of oil and gas properties net of deferred income tax provision of \$232,514 .....	262,197	—
Reduction of current year's income taxes on application of prior year's loss .....	211,921	—
<b>Net income (loss) for the year .....</b>	<u>489,381</u>	<u>(415,910)</u>
<b>Deficit at beginning of year .....</b>	<u>727,430</u>	<u>285,520</u>
	238,049	701,430
<b>Cost of share capital issued .....</b>	—	26,000
<b>Deficit at end of year .....</b>	<u>\$ 238,049</u>	<u>\$ 727,430</u>
<b>Income (loss) per share before extraordinary items .....</b>	<u>\$ .005</u>	<u>\$ (.195)</u>
<b>Income (loss) per share for the year .....</b>	<u>\$ .166</u>	<u>\$ (.195)</u>



# Consolidated Statement of Changes in Financial Position

For the Year Ended March 31, 1981

	1981	1980
<b>Source of funds</b>		
Net income for the year .....	\$ 489,381	\$ —
Add (deduct) items not affecting current outlay of funds		
Depletion and depreciation .....	48,230	—
Deferred income taxes .....	38,760	—
Gain on sale of fixed assets .....	(495,657)	—
<b>Funds from operations</b> .....	80,714	—
<b>Proceeds from sale of fixed assets</b> .....	1,030,692	6,589
<b>Issuance of convertible debentures</b> .....	—	520,000
<b>Issuance of share capital</b> .....	670,000	671,000
	<u>1,781,406</u>	<u>1,197,589</u>
<b>Application of funds</b>		
Net loss for the year .....	—	415,910
Deduct items not affecting current outlay of funds		
Depletion and depreciation .....	—	19,159
Loss on sale of fixed asset .....	—	1,110
	<u>—</u>	<u>20,269</u>
Funds applied to operations .....	—	395,641
Property and equipment purchases .....	848,410	500,721
Convertible debentures retired by issuance of share capital .....	520,000	48,000
Payments on long-term debt .....	—	85,000
Cost of share capital issuance .....	—	26,000
	<u>1,368,410</u>	<u>1,055,362</u>
<b>Increase in working capital</b> .....	412,996	142,227
<b>Funds at beginning of year</b> .....	170,832	28,605
<b>Funds at end of year</b> .....	<u><u>\$ 583,828</u></u>	<u><u>\$ 170,832</u></u>



# Notes to the Consolidated Financial Statements

For the Year Ended March 31, 1981

## 1. Significant Accounting Policies

### a) Principles of consolidation

These consolidated financial statements include the accounts of International Tika Resources Ltd. and its wholly-owned U.S. subsidiary, International Tika Resources Inc.

The accounts of the U.S. subsidiary company are converted to Canadian dollars as follows:

- i) Cash and amounts receivable and payable at the rate prevailing at balance sheet date.
- ii) Other assets at the rate prevailing on the date the assets are acquired.
- iii) Income and expense items, other than depletion and depreciation at the average rate for the year.
- iv) Depreciation and depletion at the historic rate of the related assets.

### b) Basis of accounting

The Company follows the successful efforts method of accounting, wherein costs of exploring for and development of oil and gas reserves are capitalized. These costs include lease acquisition costs, geological and geophysical expenses and the cost of drilling productive wells. Dry holes and abandoned projects are written off when determined to be unproductive. Costs capitalized are depleted on the unit of production method based on estimated proven recoverable oil and gas reserves.

## 2. Share Capital

During the year 650,000 common shares were issued in the following manner:

	Number of shares	Amount
Options exercised	100,000	\$150,000
Debentures converted	555,000	520,000
Total shares issued during the year	<u>650,000</u>	<u>\$670,000</u>

The following outstanding options were exercised subsequent to March 31, 1981:

100,000 shares at \$1 per share, exercisable to May 28, 1981, in consideration for the Company's participation in a seismic program.

During the year the Board of Directors authorized the issuance of 150,000 shares at \$1.70 per share to the Company President. As at March 31, 1981, these shares have not been issued.



# Notes to the Financial Statements Con't., Financial Highlights

For the Year Ended March 31, 1981

## 3. Deferred Income Taxes

Deferred income taxes arise as a result of claiming depreciation and depletion for income tax purposes in excess of those recorded in the accounts.

## 4. Statutory Information

- a) Interest on long-term debt amounting to \$15,585 was paid during the year.
- b) Remuneration of \$52,000 was paid to an affiliated company controlled by a director of International Tika Resources Ltd.
- c) Unrealized exchange losses of \$8,165 have been expensed during the year.

## 5. Available Loss Carry Forwards

The Companies have available losses which may be carried forward to apply against future income for tax purposes as follows:

<u>Available to</u>	<u>Canada</u>	<u>U.S.</u>
1985	\$31,966	\$ —
1987	— <sup>a</sup>	136,274
	<u>\$31,966</u>	<u>\$136,274</u>

## FINANCIAL HIGHLIGHTS

	<b>1981</b>	<b>1980</b>	<b>% Change</b>
Sales — production	\$229,213	\$ 88,263	+160
Net Income	\$489,381	\$(415,910)	—
Capital Assets, at cost	\$925,250	\$ 660,105	+ 40
Working Capital	\$583,828	\$ 170,832	+242
Profit per Share	<u><b>\$.166</b></u>	<u><b>\$(-.195)</b></u>	—



## CORPORATE INFORMATION

### Officers

Richard Wayne Kiser,  
President

Eitan Aizenberg,  
Vice-President  
U.S. Operations

Susan A. Summings,  
Secretary-Treasurer

### Directors

Richard Wayne Kiser  
Joseph W. Worobec  
Bernard Lee  
Edward Learoyd

### Head Office

403 Canada Trust Building  
238 Eighth Avenue S.W.  
Calgary, Alberta, Canada  
T2P 1B9

### Branch Office

1030 Americana Building  
811 Dallas Street  
Houston, Texas, U.S.A.  
77002

### Auditors

Touche Ross & Co.  
3500, 700 Second Street S.W.  
Calgary, Alberta, Canada  
T2P 2W2

### Solicitors

Bennett Jones  
3200 Shell Centre  
400 Fourth Avenue S.W.  
Calgary, Alberta, Canada  
T2P 0X9

### Transfer Agent & Registrar

Guaranty Trust Company of Canada  
401 Ninth Avenue S.W.  
Calgary, Alberta, Canada  
T2P 3C5

### Banks

Calgary:

Canadian Imperial Bank of Commerce  
309 Eighth Avenue S.W.  
Calgary, Alberta, Canada  
T2P 1C6

Houston:

Texas Commerce Bank  
707 Travis  
Houston, Texas, U.S.A.  
77001

### Stock Exchange

Alberta Stock Exchange  
#300, 300 Fifth Avenue S.W.  
Calgary, Alberta, Canada  
T2P 0L3

### Stock Symbol

I T R

### Annual Meeting

The annual meeting of  
International Tika Resources Ltd. will be  
held at the offices of Bennett Jones,  
400 Fourth Avenue S.W.,  
Calgary, Alberta, Canada,  
at 10 a.m. on Wednesday,  
October 7, 1981



**International  
Tika Resources  
Ltd.**



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